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SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS 05/09/08

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Prime Minister's schedule, May 8

NIKKEI (Page 2) (Full)
May 9, 2008

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10:11

Attended a Grand Cordon award ceremony at the Imperial Palace.

10:58

Returned to his official residence.

13:25

Attended an Order of Golden Silver Star award ceremony at the Imperial Palace.

14:02

Returned to his official residence.

15:15

Met Rengo (Japanese Trade Union Confederation) President Takagi at the Kantei, in the presence of Health, Labor and Welfare Minister Masuzoe, Deputy Chief Cabinet Secretary Futahashi, and Assistant Deputy Chief Cabinet Secretary Saka. Masuzoe stayed on.

16:25

Attended along with Chinese President Hu Jintao the opening ceremony of the Japan-China Youth Friendship Exchange Year held at Waseda University, followed by a Japan-China youth exchange event.

17:40

Returned to his official residence.

18:24

Met Deputy Foreign Minister Sasae.

19:13

Along with his wife, hosted a welcome dinner party for President Hu.

21L09

Returned to his official residence.

- 4) U.S. Deputy Secretary of State Negroponte hails progress in Japan-China relations

TOKYO SHIMBUN (Page 2) (Full)
May 9, 2008

Administrative Vice Foreign Minister Mitoji Yabunaka late yesterday met with visiting U.S. Deputy Secretary of State John Negroponte at his ministry's Iikura State Guest House in Azabudai, Tokyo, and briefed him on the details of the Japan-China summit on May 7. Negroponte said: "On the part of the United States, we welcome the progress in Japan-China relations."

Both Yabunaka and Negroponte confirmed that Japan and the U.S. would continue to work in close cooperation to resolve the North Korean nuclear and abduction issues.

- 5) Chinese president emphasizes future-oriented relationship in

speech at Waseda University, refers to Japan's wartime aggression

TOKYO SHIMBUN (Page 1) (Full)
May 9, 2008

Visiting Chinese President Hu Jintao delivered a speech at Waseda University before 900 students yesterday. In the speech, Hu said

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that Japan-China relations "are now at the starting point of a new chapter of history and are set to develop further," emphasizing the importance of promoting a future-oriented relationship and exchanges between young peoples of the two countries. He also stressed that China will aim for peaceful development, remarking: "China has taken a defensive national defense policy and has not been involved in an arms race. (Our progress) will pose no threat to any country."

President Hu talked about how China has developed in the 30 years since it opted for a reform and open-door policy. He then expressed his gratitude for Japan's assistance to China, saying: "Japan's yen loans to China have greatly contributed to modernizing China through infrastructure building, environmental protection, and energy development."

Hu also referred to Japan's past military aggression for the first time since he arrived in Japan on May 6: "The Japanese military's invasion of China in the past brought about enormous misfortune to the Chinese people and also harmed the Japanese people." He added: "China does not forget history not because it continues to harbor enmity (against Japan) but because it wants to move into the future while learning from the past."

In reference to the fact that 3,000 Japanese young people were invited to China in 1984, Hu said: "The seeds planted in our younger days will have a lot to offer throughout our lives. We must hand down friendship through generations." As part of such efforts, he revealed plans to invite 100 students at Waseda University to China this year.

6) METI seeks to constrain China's trade policy in Unfair Trade Policies Report, pointing out its restriction on resource exports

YOMIURI (Page 9) (Excerpts)
May 9, 2008

The Ministry of Economy, Trade and Industry (METI) yesterday released its 2008 Report on Unfair Trade Policies. METI has come up with a stance of more carefully monitoring the movements of China, and the report in Chapter 1 for the first time takes up China - and not the U.S. - unlike previous reports. Japanese companies are actively engaging in trade and investment in China. In particular, the report seeks to constrain that country's resource export restriction and unclear investment rules.

Citing a sharp rise in domestic demand as a reason, the Chinese government is restricting exports of coke, a material for steel, and rare metals, which are indispensable for home electronics and parts for cell phones.

Noting that the World Trade Organization (WTO) approves export restrictions on the condition that domestic production and consumption are restricted, the report says that China's export restriction is suspected of being a violation of the WTO rule, because its production of coke increased from 110 million tons in 2002 to 280 tons in 2006.

The market price in Tokyo of cold-rolled steel, which is widely used for home electronics and construction materials, is hovering at around 108,000 yen per ton, 30 PERCENT higher than the previous year's level, due in part to export restrictions on coke. METI is increasingly concerned about the impact of the export restriction on

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coke with one official noting, "If the price of steel materials

continues to rise, it could have an adverse effect on the economy."

Among rare metals, China's permission of exports of an ore that is called rare earth, has decreased from 57,000 tons in 2001 to 44,000 tons in 2007.

Japan depends on China for 90 PERCENT of its demand for rare earth. The report warns that China's export restriction on that material could incur a short supply in Japan.

The report proposes settling the issue through a dialogue. The government intends to strongly urge China to correct the situation at such venues as ministerial or summit meetings.

7) Tokyo found to have asked Seoul to arrange meeting between abductee Megumi Yokota's parents and their granddaughter

YOMIURI (Top play) (Excerpts)
May 9, 2008

The Japanese government was found to have asked the South Korean government to act as an intermediary to set up a meeting in South Korea between abductee Megumi Yokota's daughter, her former husband, and her parents. The Japanese side reportedly indicated a plan to return to North Korea the remains of another person provided by North Korea as those of Megumi. These details were revealed by a source connected to Japan-South Korea relations yesterday. Behind this move by Tokyo is apparently its judgment that in order to break the current stalemate in Japan-North Korea talks on the abduction issue, Japan would need to offer a much bolder proposal to the North Korean side.

According to the source familiar with Japan-South Korea relations, when Special Advisor to the Prime Minister Kyoko Nakayama visited Seoul on April 25, she asked a high-level official of the South Korean government to realize this sort of meeting.

South Korea and North Korea have several occasions in a year for South Korean abductees and their relatives to meet in South Korea as part of the reunion project for separated family members between two Koreas. Nakayama suggested using this family reunion occasion to set up a meeting between Shigeru Yokota (75) and his wife Sakie (72), Megumi's former husband Kim Young Nam (47), and her daughter Kim Hye Gyong (20).

8) U.N. official welcomes SDF mission in Sudan

ASAHI (Page 4) (Full)
May 9, 2008

OSLO-Ashraf Qazi, the special representative of the United Nations secretary general for Sudan, responded to an Asahi Shimbun reporter's interview on May 7 in Oslo. The Japanese government is considering sending the Self-Defense Forces for U.N. peacekeeping operations in the southern part of Sudan. In this regard, Qazi said he would like the Diet to discuss the matter. "If Japan comes," he said, "we will fully welcome it."

Qazi also represents the U.N. Mission in Sudan (UNMIS), a PKO body following a north-south peace agreement in Sudan. "The SDF is experienced in PKO activities and is highly capable," Qazi said.

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Earlier in the day, Qazi met with Parliamentary Foreign Secretary Yasuhide Nakayama. According to Nakayama, Qazi asked Japan to send an SDF engineering unit to Sudan. Nakayama quoted Qazi as saying: "The PKO troops currently working in Sudan do not have a high level of technical know-how for infrastructure construction, so we would strongly like to ask Japan to send SDF troops."

The Defense Ministry remains cautious about sending SDF members to Sudan for security and other reasons. "Once in a while, there are clashes and crimes," Qazi said. "But," he added, "the situation is improving." The UNMIS is made up of about 10,000 troops from 67 countries as of March this year.

9) Japan-U.S.-Australia strategic dialogue to be held

TOKYO SHIMBUN (Page 2) (Full)
May 9, 2008

Foreign Minister Masahiko Koumura held a meeting yesterday with visiting Australian Foreign Minister Stephen Smith at the Foreign Ministry. As a result, the two foreign ministers agreed to hold a Japan-U.S.-Australia cabinet-level strategic dialogue timed with the G-8 foreign ministerial to be held in Kyoto in late June. In the planned strategic dialogue, the three countries will discuss close cooperation in security and the fight against terrorism.

They also confirmed to aim at settling the controversial research whaling issue diplomatically.

10) DU study group launched

TOKYO SHIMBUN (Page 2) (Full)
May 9, 2008

A group of lawmakers yesterday launched a supra-partisan depleted uranium (DU) study group. DU shells, which were used during the Iraq war, are suspected of causing cancer and leukemia.

The inaugural meeting was attended by 17 ruling and opposition party members, including Asahiko Mihara and former Foreign Minister Yoriko Kawaguchi from the Liberal Democratic Party, as well as Social Democratic Party head Mizuho Fukushima. The group will consider the appropriateness of banning the use of DU shells through lectures by experts and exchanges of views among members.

In the session, a lecture was given by Dirk van der Maelen, a proponent of legislation banning DU weapons that was adopted by the Belgian parliament. Maelen said: "You might be concerned about your relationship with the United States, but I believe that armed with a pacifist Constitution, Japan can give advice (on banning the use of DU weapons)."

11) Japan to lift ban on space activities for defense

ASAHI (Page 1) (Abridged)
May 9, 2008

The ruling coalition of the Liberal Democratic Party and New Komeito agreed yesterday with the leading opposition Democratic Party of Japan (Minshuto) to present a joint legislative measure to the Diet in its current session, a Diet member-proposed "Basic Law on Outer Space." The legislation is intended to lift Japan's self-imposed ban

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on the use of outer space for defense. A strategic task force will be set up in the cabinet under the political initiative for the unified promotion of space-related policy measures. The House of Representatives Cabinet Committee will enter into deliberations on the bill today and take a vote within the day. The bill is expected to clear the Diet during the current session.

The government has so far made it a principle to use space for nonmilitary purposes only, in line with a 1969 Diet resolution on the peaceful use of space. The legislation purports to "promote space development and exploitation for Japan's national security," and will allow Japan to use space for "nonaggressive" defense purposes as approved by the Space Treaty. The legislation will pave the way for the SDF to introduce government-prohibited satellites, including high-performance reconnaissance satellites. The SDF will also be allowed to possess advanced missile surveillance satellites (early warning satellites).

The SDF, in its use of space, has so far been allowed to utilize commercial-off-the-shelf technologies only. In 1998, North Korea test-fired ballistic missiles. After that, the government launched intelligence-gathering satellites for disaster planning purposes. Their resolution has been held down to the level of commercial satellites.

Parliamentary debate will now likely focus on how far to allow the use of space for defense and what to do so in order to avoid unnecessarily expanding the scope of confidentiality for defense purposes.

12) Defense Ministry forgoes reform plan presentation

YOMIURI (Page 4) (Abridged)
May 9, 2008

The government held a meeting of its Defense Ministry reform panel yesterday at the prime minister's office, with Chief Cabinet Secretary Machimura presiding. In the meeting, the Defense Ministry was to brief the panel on its plan to reorganize the Defense Ministry, involving the Self-Defense Forces. Defense Minister Ishiba has advocated integrating the Defense Ministry's bureaucracy and the SDF's brass into a reorganized body. However, there are strong objections from within the Defense Ministry. The Defense Ministry will present its reform plan to the panel at its next meeting to be held late this month.

Ishiba plans to reorganize the Defense Ministry's internal bureaus and the SDF's staff offices into a body for three functionalities: 1) defense buildup; 2) operational planning; and 3) Diet affairs and public relations. The Ground, Maritime, and Air Self-Defense Forces' respective staff offices will be substantially downscaled. The Ishiba plan will separate the GSDF, MSDF, and ASDF chiefs of staff from the chain of command and will have them serve as advisors to the defense minister. The defense minister will directly command the three SDF services.

At the reform panel meeting on the eighth as well, there were negative views expressed about the Ishiba proposal.

13) Akiyama, director of defense organization, raised 500 million yen from arms corporations; Tokyo District Public Prosecutors Office also suspects tax evasion

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TOKYO SHIMBUN (Top play) (Excerpts)
May 9, 2008

Naoki Akiyama, 58, director of the Japan-U.S. Center for Peace and Cultural Exchange, a Tokyo-based corporation including lawmakers with vested interests in the defense industry, raised over 500 million yen mainly from defense companies in about a three-year period, a connected source revealed. During this period, Akiyama declared only tens of millions of yen in income. The Tokyo District Public Prosecutors Office special investigation squad seems to be conducting investigations suspecting that he has violated the Income Tax Law (tax evasion).

According to the source, Akiyama raised funds by using bank accounts in the names of such corporations as Addback International Corp. in Los Angeles and the Council for National Security (CNS), a nonprofit corporation based in Washington. Akiyama serves as an advisor to Addback's Japan office.

Major Japanese and American arms manufactures and a dozen or so trading firms transferred a total of some 300 million yen in consultant fees to those accounts.

In addition, part of membership fees and donations to the association by Japanese and American arms corporations was funneled to Addback. It has already been found that Akiyama received in October 2006 approximately 30 million yen from defense equipment trader Yamada Corp. Including that amount, Akiyama is believed to have raised over 500 million yen in total.

14) U.S. Marine found guilty in Iwakuni court martial

YOMIURI (Page 35) (Full)
May 9, 2008

In the case of an alleged gang rape of a 20-year old woman in

Hiroshima City last October by four U.S. Marines (ages ranging from 20 to 39) stationed at MSCA Iwakuni, a U.S. military court martial yesterday found the 20-year old Marine guilty of "committing an unlawful sex act without consent (doui-no-nai fuhou-na sei-koui). The sentencing will be handed down on May 9.

15) Former Prime Minister Koizumi: If Lower House election is held now, the LDP will lose 150 seats

YOMIURI (Page 2) (Full)
May 9, 2008

Former Prime Minister Junichiro Koizumi, a member of the ruling Liberal Democratic Party, dined last night with young Lower House members, including Yaichi Tanigawa, parliamentary secretary for agriculture, forestry and fisheries, at a Japanese restaurant in Tokyo. Koizumi indicated his view that the next House of Representatives election should be put on the back burner, saying: "If the election is held now, we will lose 100 seats, or as many as 150 seats. It would be better for us to wait until next year."

Around that time, a dinner party welcoming Chinese President Hu Jintao was being held at the Prime Minister's Official Residence (Kantei). According to one participant in the party, Koizumi explained his decision to stay away from the party: "It would be

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better that I not go there."

16) Upper House panel to reject today bill amending Road Construction Revenues Special Exemption Law

TOKYO SHIMBUN (Page 2) (Full)
May 9, 2008

In a meeting yesterday of its directors, the House of Councillors Financial Affairs Committee decided to take a vote on a bill amending the Construction Revenues Special Exemption Law, intended to reinstate the tax revenues for road construction and maintenance for 10 years. The outlook is that the bill will be rejected by the opposition camp, which holds the majority of the Upper House seats. The said bill is expected to be voted down in an Upper House plenary session on May 12. Based on Article 59 of the Constitution, the government and ruling parties intend to hold a revote on the legislation in a House of Representatives plenary session and enact it on the 13th by their two-thirds majority overriding vote.

In this connection, the ruling and opposition parties held yesterday a meeting of their Diet affairs committee chiefs. In it, the opposition demanded that concentrated deliberations on the road issue be held in the Lower House Budget Committee or Land and Transport Affairs Committee at the attendance of Prime Minister Yasuo Fukuda. The ruling camp, however, just replied: "Holding deliberations before the 13th is impossible. We accept the request."

Prime Minister Fukuda criticizes DPJ's postponement of voting

When asked by reporters last evening about the Democratic Party of Japan's decision to take a vote on a bill amending the Construction Revenues Special Exemption Law, Prime Minister Yasuo Fukuda criticized the DPJ for having put off taking a vote on the bill, saying: "I wonder why they did not make that decision earlier. I want them to make the decision when one is needed."

17) Special road law amendment bill to mention that the implementation of the law is for one year only: Inconsistency with government decision to free up road tax revenues to be adopted at cabinet meeting on the 13th dissolved

TOKYO SHIMBUN (Page 1) (Excerpts)
May 9, 2008

The government plans to adopt at a cabinet meeting a policy of shifting special-purpose road construction revenues to the general account starting in fiscal 2009. In this connection, it yesterday

decided to mention in a bill amending the Road Construction Revenues Special Exemption Law aimed at reinstating special-purpose road construction revenues for 10 more years starting in fiscal 2008, that the implementation of the law is to be limited to one year.

Opposition parties and some ruling party members had pointed out that the amendment bill is inconsistent with the decision by the government and the ruling parties to free up road tax revenues starting in fiscal 2009.

However, since the amendment bill is to serve as the basis for distributing special subsidies worth approximately 700 billion yen to be offered to local governments in fiscal 2008, any delay in its

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passage would affect local finances.

For this reason, the government had decided to dissolve the inconsistency at a cabinet meeting instead of giving priority to early passage of the bill, which would necessitate an amendment later.

18) DPJ trying to boost opportunities for debate with Prime Minister Fukuda, shifting strategy

TOKYO SHIMBUN (Page 2) (Full)
May 9, 2008

The main opposition Democratic Party of Japan (DPJ) has now begun intentionally increasing opportunities to hold debate with Prime Minister Yasuo Fukuda. The DPJ had previously placed priority on expressing its anger by such means as boycotting a plenary session of the House of Representatives, which had been held to take a revote on a bill amending the Special Taxation Measures Law. Following the plummeting support rates for the Fukuda cabinet, however, the largest opposition party has now taken a strategy of attacking the government through debate.

DPJ Secretary General Yukio Hatoyama met yesterday with Lower House Speaker Yohei Kono. Referring to the fact that DPJ lawmakers had tried to prevent Kono from entering the plenary hall where the second vote on the bill was taken, Hatoyama offered an apology to Kono, saying: "Our action was excessive."

The outlook is that although the ruling camp will hold a revote on a bill amending the Construction Revenues Special Exemption Law in the Lower House on May 13, the DPJ will not put any physical resistance but oppose it.

The DPJ has gone along with the ruling coalition's proposal of taking a vote on the bill in the Upper House Financial Committee on May 9 on the grounds that Fukuda will attend the session. The party also demanded that concentrated deliberations be held in the Lower House Budget Committee or Land and Transport Affairs Committee.

On the back of the DPJ's attempt to boosting opportunities to hold debate with the prime minister, there is the DPJ's aim to attack Fukuda, who has been suffering from the low public support rates for him and his cabinet, at Diet deliberations so that the public can see his incapability.

In particular, the legislation is good means of attacking the prime minister because its enactment goes against the decision by the government and ruling coalition that the tax revenues earmarked for road construction will be shifted to the general account starting [2009](#).

Deputy President Naoto Kan stressed at a press conference yesterday: "I want to hear an explanation by the prime minister on consistency (between the decision by the government and ruling camp and the revision bill)."

19) DPJ ready to underscore government's lack of policy in Diet deliberations

NIKKEI (Page 2) (Excerpts)

May 9, 2008

TOKYO 00001253 011 OF 012

The Democratic Party of Japan (DPJ) has agreed to take a vote on a bill amending the Special Law on Financial Resources for Highway Construction Projects in the House of Councillors. The main opposition party is now poised to pursue the government and the ruling coalition in Diet deliberations. There is a lot of material for attack, such as the unpopular health insurance system for people aged 75 or older and the pension record-keeping fiasco. Given this, the DPJ has concluded it would be wiser to underscore the Fukuda administration's lack of policy in Diet debate. The party has also decided not to submit a censure motion against Prime Minister Fukuda at an early date out of fear that public criticism might be directed toward the opposition bloc. Such a policy switch also reflects a judgment that its confrontational stance has reached an impasse.

In a meeting of the DPJ's Health, Labor and Welfare Department yesterday, Acting Policy Research Council Chairman Akira Nagatsuma and others demanded that the ministry publicize changes in the burden of premium payments since the new system for very old patients was introduced. A representative from the Ministry of Health, Labor, and Welfare reiterated: "It is impossible to given a sweeping answer." In reaction, criticism erupted from other participant lawmakers.

The four opposition parties -- the DPJ, the Japanese Communist Party, the Social Democratic Party, and the People's New Party -- have decided to jointly submit a bill calling for abolishing the new insurance system by the end of this month. The DPJ has set the time for the abolition at April in 2009. It has also outlined a bill designed to cancel the automatic deduction of insurance premiums from pension benefits immediately after the said system is implemented. The DPJ intends to disclose the details of the bill in policy talks of the opposition parties to be held possibly on May 13.

On the pension mess, the DPJ has demanded that the ministry present data on details about unidentified pension accounts. It is set to attack the government, keeping in mind even the possibility of exercising Diet members' rights to investigate state affairs. Regarding the government-submitted basic bill reforming the national civil service system, on which deliberations will start at the House of Representatives today, the DPJ is positive about holding negotiations on revising the bill. It apparently intends to demonstrate its presence in Diet deliberations.

In an executive meeting of the DPJ on the evening of the 7th, Upper House Chairman Azuma Koshiishi said about the bill amending the special law related to highway construction: "The Upper House is willing to take a vote." He apparently fears that the view that the Upper House is unnecessary might gain influence if the Upper House allows the government to take an override vote on the bill in the Lower House again.

Some DPJ members are also concerned about the public might react to the party's confrontational stance while continuing to refuse deliberations.

20) Toyota foresees 30 PERCENT drop in profit in term ending in March 2009 due to appreciation of yen, sharp rise in raw materials

ASAHI (Top Play) (Full)
May 9, 2008

TOKYO 00001253 012 OF 012

Toyoto Motors yesterday released a projection for its consolidated financial settlement for the term ending in March 2009. The report says that its group operating profits will drop by 30 PERCENT . The significant profit fall is attributable to the strong yen and the sluggish North American market, triggered by the financial crisis that originated in the U.S., and high raw-material prices. The

projected setback of Toyota, which has been enjoying robust sales, indicates that the Japanese economy is at a crucial juncture.

"The trend has changed," says president

Meeting the press, President Watanabe analyzed the business performance of his company for the next business year, noting, "The U.S. economy is slowing. The economic situation in Europe is not favorable. I think that the trend of the global economy has changed."

Toyota projects its sales to be 25 trillion yen, down 4.9 PERCENT, operating profits, indicating profits in the main line of business, to be 1.6 trillion yen, down 29.5 PERCENT, and profits of the term to be 1.25 trillion yen, down 27.2 PERCENT, from the preceding term. The company expects drops in sales and operating profits for the first time in nine years since the term ended in March 2000. The margin of the drop in profits (670.3 billion yen) will be the largest since the term ended in 1999, when it adopted the U.S. accounting standards. It is estimated to suffer a drop in profits of the term for the first time in seven terms.

The carmaker made the estimate based on the assumption that the average exchange rates of the yen against the dollar will be 100 yen for the term ending in March 2009, compared with the estimated rates of 114 yen for the term ending in March 2008. Exchange fluctuations alone are expected to dent operating profits by 69 billion yen.

The projection underscored that the Japanese economy is facing a backlash, which even Toyota, a company that represents Japanese industry, cannot resist. Concerns about a decline in business performances will likely spread widely, centered on the export-oriented industry. Honda Motors also projects a significant drop in profits. Companies affiliated with automakers, such as parts manufacturers, are also expected to mark a decline in profits.

DONOVAN